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A judge's opinion on free coinage

Boston

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A Judge's Opinion on Free Coinage.

A SECOND WARNING

BY

CHIEF JUSTICE BIGELOW,
OF NEVADA.

A Calm, Non-Partisan and Instructive Letter.

THE WHOLE SUBJECT COMPREHENSIVELY TREATED.

BOSTON, 1896:
PUBLISHED BY THE HOME MARKET CLUB.

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THE MONEY LEAFLETS

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Sample copies and also a

CATALOGUE OF TARIFF PAMPHLETS

published by this Club are sent free on application.

THE HOME MARKET CLUB,
56 BEDFORD STREET,
BOSTON, MASS

A Judge's Opinion on Free Coinage.

Between the Republican and Democratic national conventions, Chief Justice R. R. Bigelow of Nevada wrote a letter to the Reno *Gazette* warning the country against the free coinage of silver at 16 to 1 and giving powerful reasons why it would not benefit even the silver states.

When it reached the East the Home Market Club printed it as a money leaflet and circulated hundreds of thousands of copies and the demand for them, especially in the West, has been greater than could be supplied.

Shortly after the Democratic convention was held and the free coinage issue was precipitated, Chief Justice Bigelow wrote again to the Reno *Gazette*, a letter which was published July 16, and which is such a dispassionate, lucid and altogether valuable treatment of the question of free coinage, and the results that would be certain to injure the whole country and to destroy the prospect of true bimetalism, that the Home Market Club here reproduces it in full for national circulation:

Editor Gazette—There are doubtless a good many people who do not have a clear understanding of the real issue upon the money question that will be presented to them this fall, and this being so it cannot be too often stated that it is not whether the remonetization of silver would be of benefit to us, but whether this country shall alone undertake to bring it about at the ratio of 16 to 1.

This is the real question, and to answer it intelligently one must endeavor to ascertain how it would work. The claim of our silver friends is that by the demonetization of silver one-half of the money of the world was destroyed, which has made hard times, and that remonetizing it will restore money to its original amount, and bring good times again. But if their plan will not do this, but will, on the contrary, make money much scarcer for us and times much harder than they are now, then, certainly, every one will agree it ought not to be adopted. This is the question I propose to discuss, briefly as possible, and temperately, for villification and misrepresentation constitute no argument.

How 16 to 1 Would Work.

Then how would the remonetization of silver at 16 to 1, by this country alone, work? We can only judge of the future by the past, and when we find that certain conditions have always

heretofore produced certain results, we are certainly justified in concluding they will do so again.

As matters stand now, we find our silver dollars and silver coins worth as much as gold, and approximately, twice as much as a Mexican or other dollar containing about the same amount of silver, although if melted down both would be worth the same —about fifty cents.

There can be no reason except the promise made by Congress to maintain our gold and silver coins at par. This promise gives it an additional value of fifty cents, just as the government's promise would give a fifty cent fractional currency note that value.

No Government Support Under Free Coinage.

But there would be no promise of this kind under a free coinage system, and, if there was, no one would trust it, for it would be a promise to double the value of the whole world's stock of silver, amounting to something over $4,000,000,000 — a task altogether too large for one country.

Free coinage of silver simply means that the owner of silver bullion may take it to the mint, have it coined into dollars and the dollars given back to him, but there would be no law guaranteeing their value, and no limit to their number, except the amount of silver in the world.

Under these circumstances all the experience of the past teaches that they would be worth simply what the bullion in them was worth—no more, no less. We should then have two standard dollars; one of gold, worth twice as much as the other of silver.

Operation of the Gresham Law.

Again, the experience of mankind for centuries past has demonstrated that two coins of the same denomination, of which the bullion value of one is greater than that of the other, will not circulate together as money under a free coinage system. The reason is that the coin having the least intrinsic value, being a legal tender for debt in its country, is worth a little more there than elsewhere; that is, a little more than its bullion value, while the other coin, in our case gold, would everywhere in the world outside this country, pay twice as many debts and buy twice as many goods, as the poorer money.

The poorer money is worth more here than elsewhere, and the better money more elsewhere; the result is, gold goes out and silver comes in.

To contend otherwise is to impeach the commercial instincts of men, which have never yet failed to respond to their own interests. So universal has the rule, that money having a less intrinsic value will drive out money having a greater, become, that it has received a distinctive name— Gresham's law, from Sir Thomas Gresham, who lived over three hundred years ago, although it had been noticed and commented upon centuries before his time.

The Experience of This Country.

Our own history affords example of its working. In 1792 it was provided that gold and silver should be coined at the ratio of 15 to 1, which was then its market value. That is, one ounce of gold was then worth fifteen ounces of silver, and the law worked all right until about 1810, when in the markets it became worth fifteen and a half ounces. This stopped the coinage of gold and stopped its circulation as money. No one would take gold to the mint for coinage when for enough gold to make $15 he could buy silver enough to make $15.50. As money in this country, gold was worth no more than silver, but it was worth more to ship away, so away it went.

This caused so much inconvenience that in 1834 a change was determined upon, and the ratio of coinage was changed to 16 to 1. That is, it now took sixteen ounces to make as much coined money as would one ounce of gold.

But this was going too far the other way. Sixteen ounces of silver was worth more in the market than one ounce of gold. Silver was worth more to sell than to coin, and the result was none was coined, and silver ceased to circulate, causing great inconvenience from the want of small change.

This necessitated another change in 1853, when the free coinage of halves, quarters, etc., was stopped, and the amount of silver in them reduced until there was no profit in hoarding or melting or sending them away, and as only the amount needed for change was coined, and that only on Government account, there was no chance for them to drive gold out. Result, they circulated side by side, until the depreciated greenback drove them both out, except on this coast, where by means of gold contracts, all business was done on a coin basis, and greenbacks never obtained a foothold.

During all this time (1792 to 1873), there was free coinage of both gold and silver (the silver dollar) and sometimes the difference between the two would be but a cent or two on the dollar, and if this slight difference would work in this way, what reason is there to think that if free coinage were established again both gold and silver would now circulate together, although the metal in one is worth twice that in the other? To say that they will is like urging a man to throw himself from the house top, assuring him that, although every one who ever did so has been hurt, it will not work that way this time.

I have demonstrated, to my own satisfaction at least, that the result of free coinage of silver at 16 to 1 would be the establishment of two standards of values— one worth twice the other, and that the dearer, gold, would cease to circulate as money. What else would happen? Simply this:

A Single Standard of Silver.

The silver dollars, no longer having a promise behind them to keep them on a parity with gold, would fall to a value of fifty cents, or rather, they would still be rated at a dollar, and would

go for a dollar in the payment of debts that had not been agreed to be paid in gold, but it would take two of them to buy one dollar in gold, and twice as many as now to buy anything else, except human labor.

Everything else would appear to double in value, as it did during the war, but wages would remain substantially the same. Everything that a man sold would bring him twice as many dollars as now, and for everything he bought he would pay twice as many, but for his grain and hay and cattle the farmer would get no more clothing or shoes or groceries, or wagons, or machinery, than now, and the working man and the salaried man not near as much for his labor.

Contraction By Loss of Gold.

Nor would this be all. Gold, which now comprises about one-third of our stock of money, being at a premium of 100 per cent, would become a commodity, as silver bullion is now, and we should lose about five hundred and fifty millions of circulation. Then our silver coins, now amounting to about the same as gold, would only be worth half their present value, and there would be an additional loss upon that of two hundred and seventy-five millions.

In addition, our paper money, no longer to be redeemed in gold, but in silver, would be worth, the same as silver, one-half its present value — a further loss of two hundred and thirty-eight millions in the working power of money. Instead of having more money, we should have only about one-third our present supply. Gentle reader, these are not the words of extravagant exaggeration, but a careful calculation, as far as one can peer into the future, of the probable result of the free coinage of silver by this country alone, as now proposed.

Desperation No Remedy.

Certainly times are hard. The country has recently passed through a panic, as it had ten times before in this century, and we have not yet recovered from its effects. But if business is let alone it will recover, as it always has, and always will. Even if free coinage at 16 to 1 should be adopted, in ten years the country will be getting back to where it now is, but they will be ten years of great suffering and hardship. There are many wrongs that ought to be righted, the same as there always have been and always will be. But those of the past have been remedied, and now let us go ahead and right those we now have. But do not jump from the frying-pan of trouble into the fire of destruction.

The Free Coiners Are Not Bimetalists.

The members of the 16 to 1 party are in no sense of the word bimetalists, and they have no right to use that name. Bimetalists, both in Europe and America, are those who advocate the general use of both metals as money by international agreement —the only plan by which it can possibly be made to work.

Silver men would doubtless be willing that gold should be used as money, the same as the Mexicans are now, but they know or ought to know, that, under the conditions proposed by them, it never was so used, and never will be, and consequently they are not bimetalists. The success of their plan would simply take us from the column of the enlightened, progressive, nations of the earth, and place us in the class with Mexico, India, Japan and China.

We are much nearer bimetalism to-day than we should be then, for all gold countries use a great deal of silver, but no silver country nses any gold as money. If they have to have it they buy it in the market, the same as any other commodity. There is not a respectable economist of Europe, bimetalist or otherwise, who advocates the free coinage of silver either by their own country alone, or by this country alone, and the same may be said of the bimetalists and economists of America. Of course I do not include in this class the men who believe the crowd is going that way, and that they must either ride that wave to office or sink into oblivion.

The Advice of Dr. Arendt.

No longer ago than in the *North American Review* for June, 1896, the great German bimetalist, Dr. Arendt, appeals to the people of this country not to destroy all hope of bimetalism by this foolish experiment. Among many other things, after declaring that the Bland law and the Sherman law have been injurious to the cause, he said:

"If it is now desired to perpetuate the gold standard in Europe, let the government at Washington adopt free coinage of silver at the ratio of 1 to 16. At present, after the closure of the Indian mints, this step could not possibly have any other result than to make the American standard a silver standard. The price of silver would rise, but not to 59 pence (par), and not permanently. The United States would have a standard not materially different from that of Mexico. All the disadvantages and all the advantages of a fluctuating and depreciated money standard would follow. Gold monometalism would be replaced by silver monometalism; the double standard would become nominal. No bimetalist can approve of this."

And again:

"The United States alone cannot establish the double standard by adopting free coinage; they would shift over to the silver standard, and we should vainly wait for a stable ratio of values. But if the nations in common create an unlimited demand for silver at a fixed gold price, and in this way create a fixed ratio, then the United States, as well as other countries, may open their mints to silver; and then that which to-day is unattainable by compulsion will be done voluntarily; silver will again be coined. A constant interchange of opinions is going on among European bimetalists in order to work out the details of such a procedure. As soon as the details are agreed upon, which is to be done at a

conference soon to be held at Brussels, it will be the task of practical politics to submit the program to a monetary conference."

It is said there is no possible chance for an international agreement for the remonetization of silver, and consequently that the Republican platform favoring that course is a fraud; but the whole hope of all true bimetalists, including some of the greatest intellects of the century, is based on that plan, which they by no means consider impracticable.

President Andrews of Brown University is probably the most eminent advocate of bimetalism in America, but he fully recognizes the futility of the present scheme. He was recently asked by the Chicago *Record* to answer this question, "Shall the United States attempt the free coinage of silver alone?" and this is his reply:

President Andrews Points to Disaster.

"If we take up the metal alone, and that course results, as I should anticipate in the expulsion of gold, we should have in the first place a financial crisis worse than any ever suffered in the country. This because we cannot in a long time, even by working our mints day and night, coin silver enough to take the place which would be vacated by gold. Prices would surely fall. Immense numbers of failures would occur. Laborers would be thrown out of work. Altogether a dreadful paroxysm in our business would be precipitated. Slowly the gap left by gold would be filled by the mining and coinage of silver. Prices would then gradually rise. At least they would become higher than now, more and more approaching the Mexican and Japanese level. * * * But a consequence far worse than any of these would be that our passage to a silver basis would erect against foreign exchange between Europe and the United States just such a barrier as now exists between Europe and Mexico. It would annihilate all fixed par between New York and London, repeating the terrible inconvenience in our European exchanges which we suffered in war times, when we were upon a paper basis."

The Only Safe Way.

For one, I object to a course which will result in such dire consequences. I object to a course that will probably, or possibly, result in them. Such results would be equally as injurious to the silver States as to others, and I believe it to be my duty to the people of Nevada, who have so highly honored me in times past, to express my views. My studies have led me to the conclusion that the only possible way to establish bimetalism is by international agreement, and that until that can be brought about our present monetary standard should be maintained. This is the Republican platform, and for that reason I shall lend my feeble support to that party this fall.

R. R. BIGELOW.

Carson City, July 11, 1896.

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TITLE